



City of Cincinnati

Date: August 16, 2004

City's Fiscal Discipline To Address Projected Budget Shortfall

August 12, 2004 --Today, City of Cincinnati Mayor Charlie Luken and City Manager Valerie Lemmie announced measures to meet a projected shortfall of \$6.1 million in income tax revenue for FY 2004. Currently, the income tax revenue that supplies 60% of the City's General Fund has experienced no growth when compared to this time last year. The City had projected a 3.2 percent increase in that revenue source based on national economic recovery. Other components of the General Fund, like property tax, when evaluated on a net basis, are likely to achieve budget projections.

"What we're announcing today are responsible, short-term measures to ensure that the City of Cincinnati can meet its obligations for the rest of the year," said Luken. "We have looked for any scrap that we can use or cut, and that's what this plan is."

In addition to the revenue shortfall, items like fleet maintenance, fuel prices, and utility costs have contributed to expenditure increases that, if not addressed, could require an additional \$2.7 million in order to balance this year's budget. By state law, the City must balance its budget annually.

"We are making adjustments to stem the tide of a very serious budget situation without compromising essential services like police or fire," said Luken. "In fact, we are reassigning 25 officers from administrative assignments to street duty in our neighborhoods, and have 30 new officers graduating from the Academy on August 22."

Luken and Lemmie announced the following measures will be implemented immediately:

- ❑ A hiring freeze in all departments funded through the General Fund for non-essential positions as determined by the City Manager. Savings goal: \$1 million
- ❑ A total of 105 sworn staff will have been added or returned to street duty by the end of 2004. Twenty-five police officers will be transferred for administrative assignments to street duty and 30 police recruits will graduate by August 22, 2004. Because of the availability of the Universal Hiring Grant, an additional 13 recruits will be added to the next recruit class for a total of 50 recruits. The cost of the additional recruits will not have to be paid for from the General Fund. The next recruit class will begin in December of this year. Savings goal: \$400,000
- ❑ A one-time income-tax amnesty program to allow people to pay back taxes without penalties or interest. The program will only run from August 12 through

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November 15 and is available to all individuals or businesses whose cases have not been referred to the city's Law Department or a collection agency. Revenue goal: \$500,000

- ❑ Freezing all non-local travel and training for all departments unless required for certification or by grants, or approved by the City's Travel Review Board. Savings goal: \$60,000
- ❑ Requiring budget-balancing efforts from those departments now on course to exceed budget. Savings goal: \$2,700,000
- ❑ Making available prior year budgeted amounts no longer needed for their original purposes. Savings goal: \$2,200,000
- ❑ Increase reimbursements to the General Fund for central services provided to non-General Fund agencies. Revenue goal: \$910,000
- ❑ Review all non-General Funds to determine if balances can be used for general government purposes. Revenue goal: \$500,000.

The total savings/revenue goal of these measures is \$7.8 million for the remainder of 2004, if achieved fully.

"Although this period may be a 'soft patch' in the economy's overall expansion, the City can't balance the budget without taking these measures, and we have to implement them now," said Lemmie.

To the extent that the City's revenue falls short of the budget and expenditures exceed the budget, reserve balances would be used to balance the 2004 budget. However, this could mean that there would be fewer resources available for the 2005-06 budget, or that the City would fall below the standard 10 percent fund revenue in reserve.

"Even if we achieve a balanced budget by implementing these measures," said Luken, "we will still have a projected budget deficit of \$10.5 million next year. Like many cities in Ohio and across the country who are struggling with the economy, we are facing serious and hard choices about what we as a City will make our priorities."

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For more information regarding the Tax Amnesty Program, please contact the Tax Amnesty Hotline at (513) 352-2456.